

**STATE OF MICHIGAN
DEPARTMENT OF ENERGY, LABOR & ECONOMIC GROWTH
OFFICE OF FINANCIAL AND INSURANCE REGULATION**

Before the Commissioner of the Office of Financial and Insurance Regulation

In the matter of:

Spectrum Mortgage Group, Inc.

Enforcement Case No. 07-5199

License No.: FL-0741; SR-0891,

Respondent.

**STIPULATION TO ENTRY OF CONSENT ORDER
REQUIRING SURRENDER OF LICENSE AND REGISTRATION**

Spectrum Mortgage Group, Inc. ("Respondent") and the Office of Financial and Insurance Regulation ("OFIR") hereby stipulate and agree to the following:

1. OFIR staff conducted an on-site investigation/examination of Respondent's books and records commencing on April 16, 2007, pursuant to Section 11(2)(c) of the Mortgage Brokers, Lenders, and Servicers Licensing Act ("MBLSLA"), MCL 445.1661(2)(c), and Section 6b(2)(b) of the Secondary Mortgage Loan Act (SMLA), MCL 493.56 b(2)(b).

The investigation/examination concluded on May 17, 2007.

2. On or about September 10, 2007, OFIR issued a Notice of Opportunity to Show Compliance ("NOSC") to Respondent, pursuant to the provisions of the MBLSLA, 1987 PA 173, as amended, MCL 445.1651 *et seq.*

3. The NOSC contained allegations that Respondent violated the MBLSLA and the SMLA, and set forth the applicable laws and penalties which could be taken against Respondent.

4. OFIR and Respondent discussed the allegations set forth in the NOSC at an informal conference held in the offices of OFIR on October 19, 2007.

5. OFIR and Respondent have conferred for purposes of resolving this matter and have agreed to settle this matter pursuant to the terms set forth below.

6. The Commissioner of OFIR ("Commissioner") has jurisdiction and authority to adopt and issue this Consent Order, pursuant to the Michigan Administrative Procedures Act ("APA"), MCL 24.201 *et seq.*, the MBLSLA, and the SMLA.

7. At all pertinent times, Respondent was licensed with OFIR as a mortgage broker and lender pursuant to the MBLSLA. Respondent was also registered under the SMLA.

8. Based upon the allegations set forth in the NOSC and communications with Respondent, the following facts were established:

- a. Respondent paid independent contractors or unlicensed entities for regulated mortgage transactions, in violation of MCL 445.1652(4).
- b. Respondent failed to maintain adequate books and records of its business to enable the commissioner to determine compliance with the MBLSLA, in violation of MCL 445.1671(1) and Respondent failed to preserve and keep available for examination by the Commissioner all books, accounts, records, and documents pertaining to Respondent's business, in violation of MCL 445.1671(2).

- i. With respect to various files, Respondent failed to date the loan applications. Thus, OFIR could not determine if Respondent had provided borrowers with the required Good Faith Estimate within three days of the application, as required by Section 3500.7(b) of Regulation X of the Real Estate Settlement Procedures Act (RESPA).

- ii. Respondent failed to make available/maintain the notices required by law, which advise the customers that they can request a copy of their appraisal by submitting a written request to the creditor.

- iii. Respondent failed to maintain numerous mortgage loan files, including loan files where the applications had been withdrawn or denied.

- iv. Respondent failed to keep copies of invoices for credit reports and appraisals; thus OFIR was unable to determine if Respondent had charged the borrowers a reasonable fee incurred for these services.

- c. Respondent failed to provide notices as required by Consumer Mortgage Protection Act, MCL 455.1636 and MCL 445.1637 (CMPA).
 - i. Respondent failed to provide borrowers with the "Borrowers Bill of Rights" as required by the CMPA.
 - ii. Respondent failed to provide the borrower with the "Consumer Caution and Home Ownership Counseling Notice" and a list of the nearest HUD-approved credit counseling agencies as required by the CMPA.
- d. Respondent failed to post a written notice in a conspicuous place apprising a person inquiring about a loan as to his/her rights under the act, and did not have available for distribution at its principal office a pamphlet explaining in general terms the lender's criteria for approving or denying a loan, all as required by the Mortgage Lending Practices Act, Section 2(10) MCL 445.1602.
- e. Respondent failed to provide mortgage loan applicants with an initial good faith estimate of the yield spread premium, which bears a reasonable relationship to the actual yield spread premium amount paid, as required by Section 3500.7(b) and (c) of Regulation X, the Real Estate Settlement Procedures Act, 24 C.F.R. 3500.7(b)-(c).
- f. Respondent acted as a secondary mortgage broker and failed to maintain books and records as required by Section 17(1) of the SMLA.

9. Respondent shall surrender its first mortgage license and second mortgage registration at the time it executes this Stipulation and Consent and return its original license and registration to OFIR on or before October 31, 2007. Respondent agrees that it shall CEASE AND DESIST from any and all violations of the statutes, rules, and regulations identified in paragraph 7 of this Stipulation and shall comply with the MBLSLA and any other act under which it is or becomes licensed.

10. Respondent, any wholly or partially-owned subsidiary, any affiliated company, or any company related by common owner, officer, or director, or Respondent's officers, directors, and shareholders individually, shall not make

application to the Commissioner for licensure under the MBLSLA, SMLA, or the Consumer Financial Services Act, 1988 PA 161, as amended, MCL 487.2051 *et seq.*, for a period of 5 years from the date of signing of an order by the Commissioner ordering the terms of this stipulation.

11. All parties have complied with the procedural requirements of the APA and the MBLSLA have been in all respects.

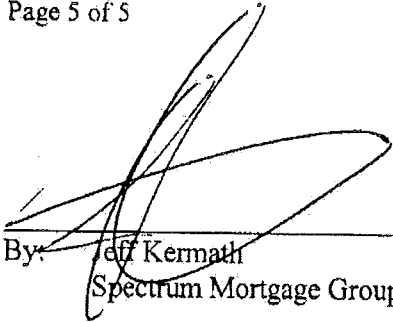
12. Respondent understands and agrees that this Stipulation will be presented to the Deputy Commissioner for approval. The Deputy Commissioner may in his sole discretion, decide to accept or reject the Stipulation and Consent Order. If the Deputy Commissioner accepts the Stipulation and Consent Order, Respondent waives the right to a hearing in this matter and consents to the entry of the Consent Order. If the Deputy Commissioner does not accept the Stipulation and Consent Order, Respondent waives any objection to the Commissioner holding a formal administrative hearing and making her decision after such hearing.

13. The failure to abide by and fully comply with the terms and conditions of this Stipulation and Consent Order may, at the discretion of the Commissioner, result in further administrative compliance actions.

14. The Commissioner has jurisdiction and authority under the provisions of the APA and the MBLSLA, to accept this Stipulation to the Entry of Consent Order and to issue a Consent Order resolving these proceedings.

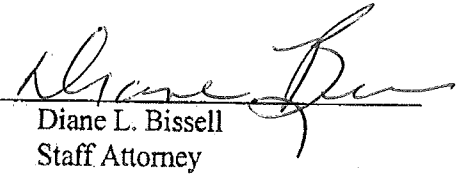
15. Respondent has had an opportunity to review this Stipulation and the accompanying Consent Order and have same reviewed by legal counsel.

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By: Jeff Kermath
Spectrum Mortgage Group, Inc.

4-22-07
Dated

OFFICE OF FINANCIAL AND
INSURANCE REGULATION


By: Diane L. Bissell
Staff Attorney

4-22-07
Dated